



CURRENCY

Committee on Financial Services

Michael G. Oxley, Chairman

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CBO to Testify on Housing GSE Subsidies

The House Financial Services Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises, chaired by Rep. Richard H. Baker (LA), will hold a hearing to review a Congressional Budget Office (CBO) report assessing the federal subsidies received by the housing government sponsored enterprises (GSEs) at 10 a.m. Wednesday, May 23 in room 2128 Rayburn House Office Building.

"I believe Congress will now receive a key piece of information in this new CBO study, the request for which was first recommended to me last year by Federal Reserve Chairman Alan Greenspan," said Baker. "Like Chairman Greenspan, I agree that the federal subsidy received by the housing GSEs may be the cornerstone of our considerations of regulatory reform. And I also share Chairman Greenspan's confidence in CBO to provide Congress with accurate information to serve as a foundation for our public policy efforts."

The CBO originally reported in 1996 that housing GSEs Fannie Mae and Freddie Mac received a government subsidy worth about \$6.5 billion in 1995. This figure represents the GSEs' use of their government ties to raise funds.

The figure does not include direct benefits the GSEs receive such as exemptions from state and local income taxes and SEC registration fees.

The CBO concluded in 1996 that \$4.4 billion of the subsidy was passed on to homebuyers while \$2.1 billion was retained by shareholders and management.

At the suggestion of Federal Reserve Chairman Alan Greenspan, last year Baker directed the CBO to update the 1996 figures. Baker also directed CBO to include the Federal Home Loan Banks. The updated report will be released at the Subcommittee hearing.

The CBO's report has been subject to an extensive review process and its methodology takes into account critiques of methods used in the 1996 report.

Witness scheduled to testify:

- Dan L. Crippen, Director, Congressional Budget Office

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